



Congressman

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**Opening Remarks - Rep. McHugh
Military Personnel Subcommittee Hearing
TRICARE Managed Care Support Contracts
Lessons Learned**

Good morning. This hearing of the Subcommittee on Military Personnel of the House Committee on Armed Services will come to order. I am delighted to be joined at the dais by my colleague and the ranking member, Ms. Sanchez.

Prior to the implementation of the nation wide TRICARE managed care system, military beneficiaries had several options for obtaining health care services outside of the military treatment facilities. The outlet most commonly used was the Civilian Health And Medical Program of the Uniformed Services (CHAMPUS). Under the CHAMPUS program beneficiaries self referred to providers for outpatient care and under some circumstances received inpatient services as well. Other sources of care included civilian contract clinics operated by the services. In the years leading up to TRICARE, several demonstration programs were conducted to evaluate alternative strategies for providing care outside military hospitals and clinics. These included the Army Gateway to Care program, CHAMPUS Reform Initiative, Catchment Area Management and a small demonstration program known as TRICARE, operating in the Tidewater region of Virginia.

In response to runaway cost increases in the CHAMPUS program, and in an attempt to get some control over the quality of care being provided to military beneficiaries, the Department of Defense implemented the current triple option TRICARE program. The program is managed through twelve regional Lead Agent offices, each supported by a comprehensive managed care support contract. Five companies hold all twelve contracts. The first contract was awarded to HealthNet (the former Foundation Federal Health Services) for care in TRICARE region-11 covering the north west of the United States in fiscal year 1995. The most recent award was to Sierra Military Health Services to support TRICARE in region-1, the northeast United States, in fiscal year 98. Nine of the contracts are operating under the first generation contract vehicle (TRICARE 1.0) and three are operating under the second generation (TRICARE 2.0).

Over the next several weeks I am sure we will have ample opportunity to hear from the senior leaders in the Office of the Secretary of Defense and the Surgeons General of the military services on the future

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of TRICARE. Today, however, we are going to hear from senior managers who are directly accountable for insuring patients get the care they need when they need it. As I was reviewing your statements I was struck by the themes that were common across all regions, all contractors and both generations of contracts. I was glad to read your many references to maintaining the readiness mission of the military health care system. That is after all the main reason for having medical personnel in uniform. Beyond that, however, were several other common themes including the need for program stability and predictable, full and timely funding. Your statements also recognized the importance of unifying the “TRICARE brand” and the essential role of partnering among all the TRICARE stakeholders in achieving TRICARE’s goals.

In today’s hearing we will explore these themes with two panels of witnesses. The first panel represents Commanding Officers of major military medical facilities and regional Lead Agents. Also on the first panel are a representative of the Uniformed Services Family Health Plan and the General Accounting Office. The second panel includes four of the Presidents and Chief Executive Officers of the five current managed care support contracts.

We have a very ambitious schedule this morning with two panels of witnesses. However, we will not operate under the five-minute rule unless we need to get some tighter control over the time. I want to make sure all members have sufficient time to address all their questions to the panels.

The first panel today is comprised of TRICARE Lead Agents and Military Treatment Facility Commanders, a representative of the Uniformed Services Family Health Plan and the General Accounting Office. Each of you has participated in or closely observed the military health system as the TRICARE program has matured from one fledgling contract to a nation wide managed care program. Your experiences and observations will help the committee understand what works, what doesn’t and how we might support continued improvement in the TRICARE program. Thank you all for offering your testimony today.

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